

Mainstreaming Poverty and Vulnerability Reduction

Executive Summary

The dynamics of poverty in Indonesia are becoming more complex, resulting in such conditions that the old approaches to poverty reduction through targeted programs run by individual institutions are no longer adequate. This is because the poor population has decreased and is now more difficult to identify. To make things worse, there has been a growing population of both economically and socially vulnerable people. To overcome poverty and vulnerability with the new characteristics, the strengthening of the old approach is required, i.e., mainstreaming poverty and vulnerability reduction into government and nongovernment (NGOs, the corporate world, donors, etc.) policies and programs. Mainstreaming poverty and vulnerability reduction (MPVR) involves taking into account the implications for poverty and vulnerability of any of the government's policies and programs. This is irrespective of whether or not these policies are specifically intended for poverty and vulnerability reduction. MPVR should be incorporated at every stage of policy formulation: planning and budgeting, implementation, and monitoring and evaluation. Due to limited government resources, it is equally important that poverty and vulnerability reduction should be mainstreamed into nongovernment policies and activities, such as NGO programs, corporate social responsibility (CSR) projects, and activities run by community groups.

To this end, the SMERU Research Institute, with the support of SEADI-USAID, has compiled a Basic Information Package on Mainstreaming Poverty and Vulnerability Reduction. The main objectives are to raise awareness of MPVR amongst all stakeholders involved in Indonesia's development, and to encourage the application of MPVR across a range of policies and programs.

Indonesia's poverty reduction efforts date back to the Dutch East Indies era. The Dutch Ethical Policy, which was meant to improve the welfare of Indonesia's population, was able to easily identify the poor because at that time most of the native population lived in poverty. Similarly, during the Soekarno Era and the Soeharto Era, poverty reduction policies were targeted at the majority of the population who were still categorized as poor. During the Reform Era the proportion of the poor decreased, but there was still a significant widespread poor population, which meant that targeted poverty reduction programs became more necessary. Along the process, even the targeted poverty reduction programs have been deemed unfair since there are other sectoral development programs that should provide tangible benefits to the poor. Therefore, current poverty reduction efforts require planned refinements through mainstreaming poverty and vulnerability reduction (MPVR) into all development policies and programs.

What is MPVR and Why Is It Necessary?

MPVR is a strategy that explicitly takes into consideration poverty and vulnerability reduction at every stage of the process of development and governance, both at the national and regional levels. By adopting this approach, the government should orient policy to constantly side with the interests of the poor and vulnerable. MPVR is not a special program that is separate from sectoral development activities, but more an approach that always takes into consideration the implications of development efforts for the poor and vulnerable.

In order to support the reduction of the number of poor and vulnerable people, MPVR involves "modifying" existing programs and projects. For example, when a public works agency wants to build or repair a village road, as part of the planning process it should conduct an analysis of the project's impact on the life of the



USAID
FROM THE AMERICAN PEOPLE

LEMBAGA PENELITIAN
SMERU
RESEARCH INSTITUTE

SEADI
SUPPORT FOR ECONOMIC ANALYSIS
DEVELOPMENT IN INDONESIA

poor and vulnerable, such as how much money people can save commuting to work or school. MPVR does not necessarily imply additional funding.

A development program is considered to have implemented MPVR when (i) its policy and implementation are clearly aligned with the interests, protection, and fulfillment of the fundamental rights of the poor and vulnerable, and (ii) the poor gain adequate access to participation in, and benefits from, the development program. If a development program unavoidably causes the poor and vulnerable to suffer losses, they must receive adequate compensation.

Although Indonesia has been able to reduce the size of its poor population significantly, welfare inequality between regions, between villages and cities, and between community groups remains high; and 40% of the population is still poor and vulnerable. The widening gap in equality is largely due to the fact that the labor market mainly absorbs highly educated people, and the poor who are generally less educated tend to be excluded and increasingly left behind. A study by Suryadarma et al. (2010) shows that the rate of poverty reduction is at its highest when the level of inequality in society is low. In 2011-2012 the Gini Index reached a peak of 0.41—the highest level of inequality in Indonesia since records began (Figure 1). Therefore, the reduction of inequality should be one of the main focuses of poverty reduction efforts.

Apparently, Indonesia has experienced the emergence of other forms of vulnerability, namely social exclusion or discrimination against certain communities, such as minority groups, the disabled, people with chronic diseases (such as HIV/AIDS), residents living on illegal sites, indigenous people, children, refugees, and migrant workers. Severe vulnerabilities become more visible when people are faced with high inflation, economic crises, severance in working relations, outbreaks of diseases, and natural disasters.

In addition, government officials tend to have only a partial understanding of poverty and vulnerability, so the design of poverty and vulnerability programs is generally sectoral in nature. This is exacerbated by the lack of coordination between agencies.

Consequently, there is no synergy between programs resulting in a lack of effectiveness and efficiency. To date, government expenditure (both central and local), directly allocated for poverty reduction programs, is relatively small. Therefore, an increase in government spending to support targeted poverty reduction efforts is still necessary. However, development policies and sectoral programs in the fields of education, health, housing, agriculture, infrastructure, etc., should also be directed towards a role that is as strategic in poverty reduction as targeted poverty programs such as Direct Cash Transfer (BLT), Rice for Poor Households (Raskin), and Family of Hope Program (PKH). This means that targeted poverty reduction programs alone are not sufficient for reducing the number of poor people, and that these programs must be supported by all other development programs. In this regard, it is clear that MPVR is essential in the Indonesian development process.

The Significance of a Legal Basis for MPVR in Governance

Any public policy, including the practice of MPVR, requires a legal basis that regulates the authorities, rights and obligations, and the rules of the game during interactions between government agencies, and between the government and other stakeholders, both at the central and regional level. To that end, a strong legal basis is required in order to: (i) ensure access to, and active participation in, the whole process of development, for different community members; (ii) ensure that there is room for openness and clear accountability; (iii) ensure the availability of adequate resources for the implementation of MPVR; and (iv) build the foundation for strengthening partnerships with nongovernment stakeholders.

MPVR was conceptualized to support the national agenda for the acceleration of poverty reduction. It provides a comprehensive and systematic approach to poverty reduction by: (i) reducing the burden of household expenditure, (ii) empowering and strengthening civil society organizations (CSOs), (iii) improving economic and financial access, and (iv) promoting inclusive development. In this way, the government, including local government, acts as a facilitator that provides a

strong foundation for poverty reduction efforts. However, one has to realize that government resources alone will never be sufficient to reduce poverty. According to Widiyanto (2013), poverty reduction strategies will be two to four times as effective if stakeholders outside the government, including the private sector, are involved. At the end of 2012, the largest proportion of gross domestic product (GDP) came from the nongovernmental sector, while the proportion of GDP that came from the government was less



Figure 1. Development of welfare inequality in Indonesia

than 10%. Therefore, the participation of stakeholders from all sectors is essential for increasing the scope and effectiveness of poverty reduction in Indonesia.

Creating good governance is not just about developing effective coordination between government agencies, but it is also reflected in strong partnerships with other stakeholders (NGOs, the private sector, and international institutions) and between stakeholders. Providing a forum for continuous consultation and interaction can help nurture mutual trust between the relevant parties, a prerequisite for the successful implementation of MPVR.

MPVR in Planning and Budgeting

Planning and budgeting requires up to date, reliable, and relevant poverty and vulnerability data. This data can be sourced either from the government (Statistics Indonesia, ministries/agencies, and technical regional work units) and nongovernment agencies (program implementers and NGOs). Given that data collection often incurs considerable costs, it is advisable to use existing sources of data; the government already has a unified database that contains information on the 40% of the population that is poor and vulnerable. If there is a need for information that is not met by this data, other data sources can be used to complement it. Additional data will be useful if it is collected and analyzed using the correct procedures and should not be affected by any “interests”. It should be periodically updated so that it always gives the most up-to-date information (a maximum interval of two years).

Participatory planning and budgeting potentially give the poor and vulnerable an access to the development process. However, to realize this, it is necessary to strengthen the participation of



Figure 2. Residential condition of the urban poor

Box 1 Unified Database

The Unified Database (BDT) is a bank of electronic data containing social, economic, and demographic information on approximately 24.5 million households, or 96 million individuals with the lowest welfare status in Indonesia. The BDT is the result of the Data Collection for Social Protection Programs carried out by Statistics Indonesia during July–December 2011 (PPLS 2011).

The BDT helps in planning and budgeting, and the use of resources for social protection programs. Using BDT data, can help improve the targeting of recipients of a program during the program planning phase.

Ministries, local governments, and other institutions running poverty reduction and social protection programs can access BDT data through the Secretariat of the National Team for the Acceleration of Poverty Reduction (TNP2K) free of charge.

Source: TNP2K, 2012.

the poor and vulnerable by creating a special consultative forum, to ensure that their interests are accommodated in development programs. In general, every stage of planning and budgeting must involve an impact analysis for the poor and vulnerable. This can be done by compiling a benefit and burden analysis matrix of the population based on welfare groups following discussions in the special consultative forum.

Using the MPVR approach, the planning and budgeting of every program should provide a mechanism for outreaching the poor and vulnerable communities. This effort may require additional costs, but it is very important in ensuring the benefits of development are geared towards the reduction of poverty and vulnerability. Basic services are one of the key aspects in poverty reduction. Therefore, it is important to implement MPVR in the basic services sector.

An MPVR approach to poverty reduction through basic service delivery requires the presence of good governance structures. The poor and vulnerable are the most affected when the governance of public services is weak. Therefore, service managers need to be aware that the poor and vulnerable experience the greatest difficulties in accessing services. To overcome this, service managers should develop innovative approaches for reaching out to poor and vulnerable communities.

The Need for Independent Monitoring and Evaluation

In the development management cycle, monitoring and evaluation (M&E) aim to keep the implementation of

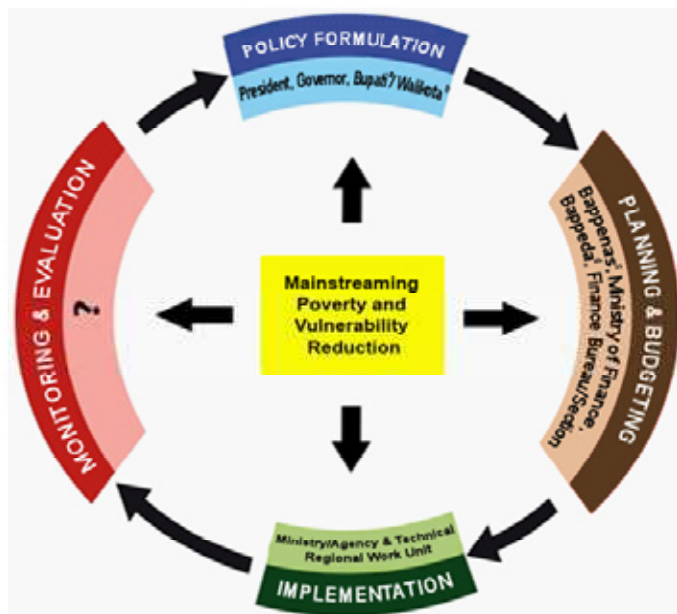


Figure 3. MPVR in the development management cycle

Note:

^aHead of a kabupaten (district).

^bHead of a kota (city).

^cNational Development Planning Agency.

^dRegional Development Planning Agency.

policies, programs, and projects on track. Therefore, policies, programs, and projects must be translated into measurable inputs, outputs, outcomes, and benefits. Wherever possible, indicators should be quantified to allow M&E to be implemented effectively. Results of M&E are necessary for the improvement of policy and its implementation, and serve as the primary basis for planning and budgeting activities for the next phase of the project or program.

Pro-poor development requires that MPVR be an integral part of the development management cycle (Figure 3). M&E should also run in conjunction with the other three stages: policy formulation, planning and budgeting, and implementation. Thus, it is necessary to set up an independent M&E institution led by a leader and supported by staff members that have the capacity to hold other institutions to account. At the same time, the M&E institution should also adhere to the principles of participation, transparency, and accountability, and be open to monitoring and evaluation from stakeholders.

Conclusion and Recommendation

MPVR is a new approach to poverty and vulnerability reduction. As such, the MPVR concept needs to be disseminated to all stakeholders involved in development initiatives, be they government officials, entrepreneurs, or CSO activists.

The SMERU Research Institute, with the support of SEADI-USAID, has put together a Basic Information Package on Mainstreaming Poverty and Vulnerability Reduction, which was launched on 14 June 2013. Through this policy brief, SMERU recommends that the Basic Information Package be disseminated, examined, and applied to a variety of policies and programs by all government and nongovernment stakeholders. ■

LIST OF REFERENCES

- Suryadarma, Daniel, Rima Prama Artha, Asep Suryahadi, and Sudarno Sumarto (2010) 'A Reassessment of Inequality and Its Role in Poverty Reduction in Indonesia.' SMERU Working Paper. Jakarta: The SMERU Research Institute.
- TNP2K (2012) Basis Data Terpadu untuk Program Perlindungan Sosial [Unified Database for Social Protection Programs] [online] <<http://bdt.tnp2k.go.id/>> [20 May 2013].
- Widiyanto, Bambang (2013) 'CSR Initiative and Targeting Improvement for An Effective and Efficient Poverty Alleviation Program.' Paper presented at the CSR Conference, Indonesia Business Links, Jakarta, 14 March 2013, unpublished.

¹NGO = nongovernmental organization.

²SEADI-USAID = Support for Economic Analysis Development in Indonesia-United States Agency for International Development.

³HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome.

⁴Technical regional work unit is satuan kerja perangkat daerah teknis.

LEMBAGA PENELITIAN
SMERU
RESEARCH INSTITUTE

The SMERU Research Institute is an independent research institute that conducts professional and proactive research and public policy assessment, and provides accurate and timely information using an objective analysis of various socioeconomic poverty problems that are considered urgent and important for the people of Indonesia.

Jl. Cikini Raya No. 10A,
Jakarta 10330 Indonesia
Phone: 6221-3193 6336;
Fax: 6221-3193 0850
e-mail: smeru@smeru.or.id;
website: www.smeru.or.id



www.seadiproject.com

Production Team
The SMERU Research
Institute

Authors: Syaikhul Usman,
Prio Sambodho, Muhammad
Syukri, M. Sulton Mawardi, &
Bambang Sulaksono

Editor: Budhi Adrianto

Design and Layout: Novita
Maizir

©2013 SMERU

For other policy briefs, please
visit www.smeru.or.id.

Twitter: @SMERUInstitute